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Report Highlights:

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Includes PSD Changes: No

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1]

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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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NO SURPRISES FOR THE NATIONAL FARMLAND AGREEMENT

On March 8, 2003, President Vicente Fox stated that the National Farmland Agreement would only contain information that was presented by the farming groups that attended the National Dialogue on Agriculture and the input provided by the government groups that hosted the agricultural discussion rounds. (Source: *El Universal*, 3/9/03)

"MEXICO: AN EXPORTING POWERHOUSE"

On March 9, 2003, President Vicente Fox said, "Mexico had transformed into an exporting powerhouse for food and agricultural products." President Fox added that the 9-percent annual growth of exports put Mexico as a frontrunner of the world's largest growing export economies. Finally, President Fox also praised Mexico's, "highly talented and skilled workforce and the growing reputation for distinguished quality in global export markets." (Source: *La Jornada*, 3/9/03)

GOM NOT KEEN ON NEW BIOTERRORISM & BIO-SAFETY LAWS

USG presumably strengthened agricultural policy against Mexico after passing through Congress the new bioterrorism and bio-safety laws. GOM perceives this congressional enactment as a threat to Mexican exports, as it will make their job more difficult by adding one more inspection requirements in addition to the already arduous process. U.S. Embassy officials stated that the U.S. government is only responding to the threat of bioterrorism and that the new laws in no way reflects a neo-protectionist policy. (Source: *El Universal*, 3/8/03)

ACCORDING TO SAGARPA, U.S. HAS MORE SUBSIDIES

According to a study conducted by the Agricultural Secretariat (SAGARPA), the United States will provide 721 percent more subsidies for the agricultural sector than Mexico will provide for its farmers. The study claims that the USG will grant 21.9 billion dollars in subsidies to its farmers this year, while Mexico will only provide 2.6 billion dollars in subsidies. (Source: *Reforma*, 3/7/03)

"DISCUSSIONS WERE A WASTE OF TIME"

Farming leaders complained that discussions for the National Agricultural Dialogue, which concluded yesterday, "were a waste of time." Agriculture Secretary Javier Usabiaga, said that it was now time to convince farming leaders to sign the National Agriculture Pact. Secretary of Government Affairs, Santiago Creel, acknowledged that farming groups and the federal government still differed on their positions regarding NAFTA. Heladio Ramirez, leader of the National Confederation of Farm Workers (CNC), blamed the federal government for "politicizing" agricultural discussions. (Source: *El Universal, Reforma, El Financiero*, 3/7/03)

SAGARPA WILL LIFT MORATORIUM ON BT CORN RESEARCH

On March 7, 2003, Victor Manuel Villalobos, Coordinator of International Affairs for the Agricultural Secretariat (SAGARPA), said SAGARPA would soon lift a moratorium on experiments with genetically modified corn in Mexico. Mr. Villalobos added that SAGARPA would assume the Presidency of the Intersecretarial Commission on Biosecurity and GMOs (CIBIOGEM) this month. (Source: *El Financiero*, 3/10/03)

CNA ADOPTS USDA'S '5-A-DAY'

The National Agricultural Confederation (CNA) has adopted USDA's '5-a-day' recommendation for fresh vegetable and fruit consumption. In a video campaign to be launched at Mexico's premier retail trade show, ANTAD, in mid-March, CNA will introduce the 5-a-day concept to Mexican consumers. CNA's membership is composed of Mexico's most important agribusiness firms (growers, shippers and processors). (Source: CNA, 2/27/03)

GOM IS TO BLAME

A study conducted by the farming group, "The Farmland Can't Stand Anymore," blamed the current ban on foreign bean imports on the GOM, and not on the alleged smuggling of Peruvian and Chinese dry beans through the U.S. ports. "The Farmland Can't Stand Anymore," claimed that because the GOM eliminated bean tariffs in 1996, it consequently allowed foreign exporters to effectively "dump" their beans on the Mexican market. (Source: *Reforma*, 3/7/03)

LESS WATER PER PERSON

On March 10, 2003, Cristóbal Jaime Jaquez, Director General for National Water Commission (CNA) announced that there was a deficit of 2,900 cubic meters (102,399 cubic feet) per resident in the border region with the United States. Infrastructure projects have not been discussed by either governments, but water use efficiency campaigns are well under way. (Source: *El Financiero*, 3/11/03)

SECRETARY USABIAGA PLAYED DOWN DEFICIT

On March 7, 2003, Secretary of Agriculture, Javier Usabiaga, played down the agricultural trade deficit with the United States but stated that many will question whether renegotiation of NAFTA's agriculture chapter should be included in the National Farmland Agreement. (Source: *El Financiero*, 3/7/03)

SUGARCANE FARMERS ASK FOX FOR HELP

On March 10, 2003, at the first meeting held by the National Sugarcane Union (UNC) and President Vicente Fox, the UNC asked the President Fox for financial support to help them modernize the sugarcane industry and reach higher levels of competitiveness and productivity. UNC believes that if they get the type of support they seek, in a 5-year period, the Mexican sugarcane industry would reach commanding heights. (Source: *Reforma*, 3/11/03)

NATIONAL AGRICULTURAL DIALOGUE NOT OVER

On March 13, 2003, the first discussion topic for the National Agricultural Dialogue will be repeated, because some farming groups did not participate in the initial discussions. Some of the major farming groups had met with Agriculture Secretary Javier Usabiaga and Secretary of Government Affairs Santiago Creel at the Government Affairs Secretariat. (Source: *Jornada*, 3/7/03)

ACCORDING TO EXPERTS, AMENDMENTS ARE POSSIBLE

Rodolfo Cruz and Jorge Wilker, who participated in the original NAFTA negotiations ten years ago, said it was possible to make amendments to the trade agreement. The two analysts said one of the most effective ways to press for an amendment such as a "moratorium" on affected products would be to use the WTO. The Center for Private Sector Economic Studies (CEESP) indicated that it favored redistributing public funds from the urban to the rural sector. (Source: *El Universal*, *El Financiero*, *La Jornada*, 3/10/03)

MIRROR LEGISLATION PROPOSED BY THE PRI

On March 7, 2003, the Revolutionary Institutional Party (PRI) members of Congress proposed emergency legislation for Mexican farmers be enacted to create a symmetrical 2002-2007 Farm Bill for Mexico, using funds from additional oil revenues and surplus budget funds. (Source: *Reforma*, *La Jornada*, 3/8/03)

FARMING GROUPS DISCUSS NATIONAL AGRICULTURAL PACT

On March 10, 2003, farming groups and the Agricultural Secretariat (SAGARPA) will define the framework for the proposed National Agricultural Pact. SAGARPA is only proposing four points for the agreement, while farming groups are pressing for ten points, including the renegotiation of NAFTA. Mexican Senator, Humberto Roque Villanueva, President of the Mexican Senate Trade and Industrial Support Commission, complained that the executive branch was dragging its feet on approving agricultural bills passed by the Senate last December. (Source: *El Universal*, 3/10/03)

MEXICAN RESTAURANT INDUSTRY HURTING

The Mexican restaurant industry suffered a terrible year in 2002, with gross sales dropping 18 percent from the previous year to 122 billion pesos (about US\$12 billion). The drop off in business caused the industry to lay off 12,000 employees, dropping over all employment to 801,000 at the end of 2002. Adding to the industry's woes the Mexican Congress repealed the 5 percent luxury tax on alcoholic beverages (good), only to apply the full 15 percent valued added tax to all take-out orders as of January 2003 (bad). Despite this set back, the Mexican restaurant association (CANIRAC) is predicting 2-4 percent growth in 2003, and a return to robust growth in 2004. (Source: *El Financiero*, 3/5/03)

"AGRICULTURE STILL POLITICIZED:" PRESIDENT FOX

On March 6, 2003, during the closing ceremony for a conference on rural property, President Fox said, "the administration was ready to face the problems of Mexican agriculture," and he called for current agricultural discussions to be de-politicized. (Source: *Reforma, Universal*, 3/7/03)

NATIONAL AGRICULTURAL DIALOGUES: A SUCCESS

President Fox declared that the National Agricultural Dialogue "had been a success." However, farming groups are demanding that the federal government withdraw television advertisements promoting NAFTA. An analytical article notes that Fox has been focusing his national agenda and public speeches on agricultural issues since the beginning of the year. (Source: *Reforma, El Universal, El Financiero, La Jornada*, 3/11/03)

APPAREL INDUSTRY IN MEXICO IS PRO NAFTA

The apparel sector in Mexico asked President Vicente Fox not to renegotiate NAFTA because over 600 thousand jobs would be at risk. Salomon Presburger, President of the National Apparel Industry Chamber, said NAFTA has been a key instrument in the industry's competitiveness. In the 58th Chamber's General Assembly, Mr. Presburger announced that the private sector along with government authorities would launch a Fiber-Fabric-Confection Competitiveness Program. One of the most important issues of this plan is the reduction of import tariffs for inputs used in this industry. At the same meeting, the Secretary of the Economy announced that import quotas would be enforced during a short time to counter clothing imports to Mexico using false certificates of origin. Currently, the biggest challenge for government and industry is to recover the domestic market by stopping illegal imports from China, which have captured an estimated 58 percent of clothing sales in Mexico. (Source: *El Financiero*, 3/7/03)

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